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No. 98-377

SUPREME COURT OF THE UNITED STATES

October Term, 1998

LEHMAN, COMMISSIONER OF PATENTS

Petitioner,

vs.

ZURKO

Respondent.

BRIEF OF JOHN P. SUTTON, AMICUS CURIAE IN SUPPORT OF AFFIRMANCE OF THE FEDERAL CIRCUIT DECISION

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BEST AVAILABLE COPY

QUESTION PRESENTED FOR REVIEW:

Whether a standard of judicial review specified in the patent statute (Title 35, U.S.C. §282) that is more stringent than that specified by the APA is an "additional requirement imposed by statute" within the meaning of 5 U.S.C. § 559.

This question differs slightly from the question posed in the government's petition for review, because it is the contention of this Brief that the patent *statute* contains additional requirements not found in the APA, so it is unnecessary to rely upon the common law as "otherwise recognized by law," as the Federal Circuit did.

LIST OF PARTIES (Rule 24.1(b))

Amicus is not aware of any parties other than those in the caption, but he does not represent or have any affiliation with any party.

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JURISDICTION (Rule 24.1(e))

Amicus has no knowledge of the basis for the Petition, although he assumes jurisdiction is proper.

CONSENT OF PARTIES

The Brief is submitted under the provisions of Rule 37(3)(a) in support of affirmance of the Federal Circuit decision.

The consent of Petitioner is attached to the original of this Brief. The consent of Respondent is attached to the original of this Brief.

TABLE OF CITATIONS

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STATUTES

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RULES

Fed.R.Civ.P. 52(a)

STATEMENT OF THE CASE

The Federal Circuit reversed the decision of the Board of Patent Appeals and Interferences of the Patent and Trademark Office ("PTO") on the ground that it was clearly erroneous. The government contends that the Federal Circuit cannot reverse for clear error, because the Administrative Procedure Act ("APA") sets a higher standard for judicial review of final agency actions. The Commissioner seeks to have greater deference accorded PTO agency action than the deference of reversal only for "clear error."

SUMMARY OF ARGUMENT

The APA does not limit the additional requirement of secrecy of agency actions imposed by 35 U.S.C. § 122. The requirement for secrecy of patent applications has been in effect at least since 1854. PTO Commissioners Schuyler, Gottschalk, Dann and Diamond all successfully argued that the APA does not overcome the long-standing tradition of secrecy of patent applications in a series of cases apparently forgotten by the present Commissioner.

The APA does not limit the additional requirement imposed by 35 U.S.C. § 282, which precisely sets forth the deference to be accorded PTO agency action. The statute provides for a presumption that the agency action is correct, and a presumption may be overcome by a showing that it is clearly erroneous. The clear error deference has been in the patent law since 1870, long prior to the APA.

It is for Congress, not this Court, to retroactively repeal or revise statutory provisions and regulations from the last century, in order to make PTO agency action conform to the deference accorded to agencies created in this century. Agencies regulated by the APA make open, publicly known and debated determinations, on matters that are within their special discretion. The PTO performs a somewhat different service under statutory requirements not found in the APA.

ARGUMENT

The Federal Circuit reached the correct result in this case, but for the wrong reasons. Surely the judge-made doctrine of *stare decisis* does not trump an act of Congress. Were it otherwise, Congress

could never pass a law to alter a decision of a Court. For over two hundred years, the separation of powers has permitted the Congress to change the rules governing judicial decision-making. The APA clearly limits judicial review, and Congress had the power to do so in enacting that law. However, it expressly said that "additional requirements imposed by statute" were not to be limited. Two provisions of the present patent statute existed when the APA was enacted, and neither was repealed or limited in any way by Congress. The Federal Circuit decision being reviewed addresses neither.

The APA was intended to be flexible, considering the diverse kinds of agency action contemplated. It expressly permits the consideration of "additional requirements" that are either statutory of recognized by law. 5 U.S.C. § 559. The patent law has two such additional requirements in 35 U.S.C. §§ 122 and 282.

1. THE VERY ESSENCE OF THE PTO AGENCY ACTION IS CLOAKED IN SECRECY.

The reason that the APA cannot apply to agency decisions of the Patent and Trademark Office in patent applications is that Congress has decreed

that "Applications for patents shall be kept in confidence" by the agency (35 U.S.C. § 122). The APA, on the other hand, requires that agency action must be open to the public to the extent possible. "Each agency shall make available public information ... as to the scope and contents of all papers, reports or examinations." 5 U.S.C. § 552(a)(1)(C). "Each agency, in accordance with published rules, shall make available for public inspection and copying ... final opinions, including concurring and dissenting opinions, as well as orders, made in the adjudication of cases" 5 U.S.C. § 552(a)(2)(A).

"To the extent required to prevent clearly unwarranted invasion of personal privacy, an agency may delete identifying details when it makes available or publishes an opinion." "Each agency shall also maintain and make available for public inspection and copying ... [records] as to any matter issued." "A final order, opinion ... that affects a member of the public may be relied on, used, or cited as precedent by an agency against a party other than an agency only if ... it has been ... made available or published" 5 U.S.C. § 552(c).

The PTO is forbidden to disclose to the public any examination records of a patent application,

contrary to Section 552(a)(1)(C). The only final order of the PTO that may be published is the grant of a patent. Where the final order is adverse to a patent applicant, a member of the public, and the patent application is denied, *nothing* is publicly disclosed. Approximately two thirds of patent applications are granted as patents, and the remaining one third of applications are abandoned. This means that a third of all final agency actions are not publicly disclosed, in violation of Section 552(a)(2)(A), were it applicable.

It is not just embarrassing personal details that are deleted from public view. *Everything* about a rejected patent application is withheld from public view. It is true that the prosecution history of an *issued* patent is made available for inspection and copying by the PTO, but not those patent applications where the patent is denied. If an application for a broadcast license from the Federal Communications Commission is denied, for example, the public has access to the agency action. Where an application for an airline route is denied, for another example, the public has access to the agency action. However, where the PTO denies a patent application, no one even knows that the application was even filed, much less how the agency reached its decision. Patent

examination is conducted under a procedure that is the very antithesis of the APA.

A final order adverse to a patent applicant, a member of the public, may not be "relied on, used, or cited as precedent" under Section 552(c) because it never sees the light of day.

The distinction between public availability and secrecy under 35 U.S.C. § 122 is the key to the decision that must be made in this case.

2. SECRECY HAS BEEN AN ADDITIONAL REQUIREMENT OF PATENT LAWS FOR CENTURIES.

The whole purpose behind "letters patent" that developed in the middle ages was to encourage those with new developments in technology to come forward with a disclosure to the public, so that the idea could be used by others for the development of technology. The reward for coming forward with a public disclosure was a right to exclude others from using the invention for a limited time. Development of the "art" or technology included both the use of the invention by others once it entered the public domain (upon expiration of the limited time), as well as the

opportunity to build upon the original idea by making improvements for the good of mankind.

"[T]he patent system represents a carefully balanced bargain that encourages both the creation and the public disclosure of new and useful advances in technology, in return for an exclusive monopoly for a limited period of time" *Pfaff v. Wells Electronics, Inc.*, __ U.S. __ , (No. 97-1130, November 10, 1998).

The contract is between the inventor, or his assignee, to permit publication of his letters patent in return for the sovereign, represented by the patent examiner, determining that the value of the invention to the public is worth the grant of a right to exclude for a limited time. The grant of patents by sovereigns to those introducing new technology into the realm has continued for 500 years. The number of contracts between inventors and the United States government is approaching six million since 1790, when our first patent act was passed.

Sometimes, the patent examiner does not believe that the invention is worthy of a grant of a patent, either because it is already in the public domain; it is not useful; or the patent application is flawed. The sovereign has the discretion not to grant

the valuable right to exclude, but if it decides not to grant the patent as its part of the bargain, then it cannot publish the invention as letters patent, and the inventor is left with his trade secret. The trade secret, which the creator possesses until he chooses to disclose it to another, remains, under United States law, because it has not been divulged by reason of the statutory examination in confidence (35 U.S.C. § 122).

If a deal is not struck between the inventor and the sovereign, the inventor may exploit his invention, by using it, licensing it, or selling it as a trade secret. Even abandoned patent applications are kept from public view, except where the inventor makes reference to the original patent application in a later patent application. If the inventor does not want any member of the public to know about his failed patent application, he can simply make no reference to it, and it will never be made available to the public, under United States law.

As a consequence, the agency action in examining a patent application is secret from the beginning (filing an application) until the letters patent are published. No member of the public may comment upon the prospective agency action,

because no member of the public can know of the contemplated agency action from the agency. This is the crucial difference between the APA and the patent laws governing the examination of patent applications.

5 U.S.C. § 559 was enacted June 11, 1946 (60 Stat. 244). In contrast, the first rule that patent applications be preserved in secrecy appeared in 1854. *Sears v. Gottschalk*, 502 F. 2d 122, 129 (4th Cir. 1974). When the claim was made, 120 years later, that the APA overcame the requirement of secrecy, the Fourth Circuit held that patent applications, before a patent issued, constituted trade secrets. "Notwithstanding FOIA's [5 U.S.C. § 552] strong policy of disclosure, we hold that mandatory disclosure of abandoned applications is foreclosed by § 122" (502 F. 2d at 131). It relied upon the legislative history of the 1952 patent act, which said "the rule of secrecy of patent applications [] has existed in the patent office for generations" (502 F. 2d at 129). In other words, the rule of secrecy was an "additional requirement" of patent law ninety years before the APA.

The series of cases pitting the APA against Section 122 continued for over a decade through the

administrations of Patent Commissioners Schuyler, Gottschalk, Dann and Diamond. See 670 F. 2d 266, footnote 1, for the history of the series of cases. Apparently the PTO has forgotten its successful effort to keep the APA from interfering with the additional requirements of patent law.

3. AGENCY ACTION UNDER THE APA IS TRANSPARENT.

Every agency action by the alphabet soup of other government agencies is open to the public. The grant of a route by the Interstate Commerce Commission is open to public participation because it affects competition over that route. The grant of a broadcast frequency by the Federal Communications Commission is open to the public because it is the grant of an exclusive right to one and not another.

Further evidence of the transparency of agency action under the APA is 5 U.S.C. § 552b(b) requiring open meetings, where "every portion of every meeting of an agency shall be open to public observation. If patent application examination meetings, whether with the examiner of with the Board of Patent Appeals and Interferences, were open to public observations, competitors of the

applicant could learn the details of secret inventions to use for free until a patent issues, if it ever does. The patent system would be destroyed by such public disclosure, because no one would want to risk losing his or her trade secret should the patent not be granted.

It was the secrecy of the guilds in the Middle Ages that gave rise to patent systems in the first place. Guilds were very secretive, and secrets of making pottery, silverware, glassware, etc. were passed on to members of the guild, but never publicly disclosed. When guilds died out, many secrets were lost with them. Public disclosure for the development of technology was so important that sovereigns would reward one who brought new technology to the realm to improve the quality of life and business. The reward was by a patent, either a patent of importation for knowledge known elsewhere, or a patent for a new invention.

The APA purports to recognize the importance of protecting trade secrets. Specifically, trade secrets are to be protected under Section 552(b)(3), so long as the statute requiring matters to be withheld from the public are so clear as to "leave no discretion" on the part of the agency. Patent applications, and

whether they are granted or denied, are the essence of discretion in the exercise of quasi-judicial function. Patent applications cannot be within the meaning of matters specifically exempted from disclosure to the public under Section 552(b).

The subject matter of a patent application is a trade secret until a patent issues, which is why 35 U.S.C. § 122 exists. However, the ICC route or the FCC frequency, which are *public* rights known to everyone interested, are not trade secrets. In contrast, the very essence of the subject matter involved in the agency action in the PTO is the secret. The trade secret is not ancillary to the agency action of the PTO, as it is by agencies governed by the APA. Instead, the agency action of the PTO is whether or not to disclose the trade secret proposed to be patented.

4. THE APA CANNOT APPLY TO EXAMINATION OF PATENT APPLICATIONS UNTIL 35 U.S.C. § 122 IS REPEALED.

Many nations of the world provide for the secrecy of patent applications to be lifted after a period of time, typically eighteen months after the

effective filing date of a patent application. Before that date, patent applications are kept secret, just as they are in the United States. Congress has considered a similar provision in an effort to "harmonize" the laws of the United States with those of the rest of the world. To date, Congress has passed no alteration of section 122, and it remains the law of the land insofar as the APA is concerned.

Other nations provide for publication of patent applications after examination has revealed that the invention is worthy of a patent, but before final agency action. After publication, any competitor who believes that the proposed agency is wrong may oppose the grant of the patent. This resembles the APA in that public comment is not only encouraged, it is mandated that competitors be given an opportunity to be heard on issues regarding the grant of valuable rights administered by agencies governed by the APA.

Congress has the power to expressly state that the APA governs the PTO, but it has not done so. Petitioner has it backwards when he argues that the APA applies to the PTO, because Congress has not said that the PTO is *not* part of the alphabet soup of agencies "in the executive branch of the government"

(5 U.S.C. §552(f)). The PTO has existed for over 160 years, most of which with its "additional requirements" of Section 559 to protect trade secrets during the examination process under 35 U.S.C. § 122, and the standard of deference to be paid to agency action in § 282.

If Congress alters section 122 to provide for destruction of the secrecy of patent applications before final agency action, such as (1) by publication after 18 months or (2) by establishing an opposition procedure after examination, but before grant of a patent, the APA might apply to the PTO. It might then be inferred that it intended to have the APA, with its less stringent standard of review, applicable to patent applications. The prudent course, however, would be to await express Congressional action on whether the PTO is, or is not, subject to the APA, and not guess or assume what Congress intends.

At the present time, 35 U.S.C. § 122 makes it pellucid that the APA cannot apply to agency actions of the PTO in patent applications because of this additional requirement. In the case of trademark applications in the PTO, there is full disclosure to the public at every stage of the proceeding of examination; publication before the agency action of

the grant of a certificate of registration, and an opposition procedure before final agency action. Consequently, Congress knows how to enact legislation for a transparent examination procedure, for publication before final agency action, and for opposing the final agency action by the PTO. Until Congress provides similar openness in the patent examination process, it should not be assumed that the APA bars Section 122 of the patent laws.

5. AN ADDITIONAL REQUIREMENT OF PATENT LAW IS A PRECISE STATUTORY RECITATION OF THE DEFERENCE TO BE PAID TO THE AGENCY ACTION.

It appears that the Commissioner seeks greater respect for the work product of his agency. Instead of the long-standing review of the action for "clear error," the Commissioner desires review for "substantial evidence," using the APA as the basis for greater deference.

It is not an issue for this Court to decide whether PTO agency action should be reviewed for clear error or for substantial evidence in support of it. Congress has already enacted, in 35 U.S.C. § 282,

that the agency action of the PTO in issuing a patent is "presumed valid." This means that the deference due to the agency action is clear error, not substantial evidentiary support for the agency action. The deference is "due to a qualified government agency presumed to have properly done its job, which includes one or more examiners who are assumed to have some expertise in interpreting the references and to be familiar from their work with the level of ordinary skill in the art and whose duty it is to issue only valid patents" *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F. 2d 1350 (Fed. Cir. 1984). A presumption can be overcome by clear and convincing evidence. Clear and convincing evidence cannot overcome an agency finding that is supported by substantial evidence under the APA.

Clearly, the APA standard does not apply to review of PTO agency findings, because district courts, as well as the Federal Circuit, must apply the statutory presumption of section 282. District court findings of fact, in turn, are reviewed for "clear error" under Fed. R. Civ. P. 52(a).[1]

[1] The prior cases are Irons v. Schuyler, 465 F.2d 608 (DC Cir. 1972); Sears v. Gottschalk, 502 F.2d 122 (4th Cir. 1974); Irons v. Gottschalk, 548 F.2d 992 (DC Cir. 1976); Irons v.

"Under 35 U.S.C. § 282, a patent is presumed valid, and an attack on its validity requires proof of facts by 'clear and convincing evidence or its equivalent' ... The 'clear and convincing' standard of proof is an intermediate standard which lies somewhere between 'beyond a reasonable doubt' and a 'preponderance of the evidence'" *Buildex, Inc. v. Kason Industries, Inc.* 849 F. 2d 1461, 1463 (Fed. Cir. 1988).

The Commissioner is shortsighted in seeking greater power as a result of less stringent judicial review. The Federal Circuit decides questions of fact in patent cases under the "clear error" test from every district court in the United States under Fed. R. Civ. P. 52(a). As a matter of policy, the decisions of an administrative agency should not be subject to *less* judicial review than those rendered by Article III judges.

If the APA applies to patent examination, then "every portion of every meeting" will be open to public observation under 5 U.S.C. 552b(b), and the contents

Dann, 606 F.2d 1215 (DC Cir. 1979); and Irons v. Diamond, 670 F.2d 265 (DC Cir. 1981).

of every patent examination will be made available for public inspection under 5 U.S.C. 552(a)(1)(C).

Giving a little more power to a government agency in the form of reduced judicial review is not worth the destruction of the patent system as we have known it for 162 years. This case is not about judicial review of questions of fact involving patents, in the long view. Rather, it is about whether patent applications shall be subject to the additional requirement that they "shall be kept in confidence by the Patent and Trademark Office" (35 U.S.C. § 122), a burden placed upon no other agency of government. It is also about whether Congress added an additional requirement to the patent law specifying that the "clearly erroneous" test of a presumption (35 U.S.C. § 282) is the proper deference to be paid to PTO agency action.

Judicial review may not be a substitute for the openness built into the APA to make agency actions almost unassailable. But it is all we have in PTO review, so long as the additional requirement of secrecy is in the patent law (Section 122), and the statutory standard of a presumption of correctness of agency action (Section 282). Arbitrary and capricious agency action, which is all the APA allows to be

reviewed, is too narrow for actions taken by bureaucrats in secret, without the scrutiny of competitors and the public. There must be some supervision of agency actions by the PTO, and judicial scrutiny is the best we now have.

The patent system is a great engine for the development of technology, and it must be made to work as efficiently as possible. One way to assure proper patent examination is to provide supervision in the form of judicial review, not just for capricious actions, but for clearly erroneous actions as well.

CONCLUSION

35 U.S.C.§ 122 is conclusive on the issue of whether the examination of patent applications is to be a public agency action or a secret one. It is fundamentally at odds with the goal of openness of agency action under the Administrative Procedure Act. The two cannot be reconciled without Congressional action. It is not for this Court to speculate about what Congress intended when it passed the APA, providing for open agency action, when the patent laws provided that patent applications must be examined in secrecy through final agency action. Moreover, patent law in effect

before the passage of the APA provided that the deference given PTO agency action is only a presumption that can be overcome by clear and convincing evidence.

The decision of the Federal Circuit should be affirmed.

Respectfully submitted,

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